



Monthly Economic Update

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This report is an update to the Quarterly Economic Indicators Report, both of which are available on the internet @ <http://www.montgomerycountymd.gov/finance>. For questions, please call (240) 777-8866.

➤ **Economic Conditions.** The latest round of economic indicators suggests that the nation's economy is expected to grow close to 4% during the fourth quarter, which follows a near record 8.2% during the third quarter. Industrial production (+0.4%), new residential construction (+2.9%), and consumer spending (+0.2%), excluding auto sales, all increased in October suggesting economic growth will continue into the fourth quarter. The number of initial unemployment insurance claims declined in November; hence, payroll employment is expected to expand for the fourth consecutive month. While home sales were down in October over September (-4.9%), they were up 12.8% compared to October 2002. With the dramatic improvement in employment and the economy, consumer attitudes improved in November.

However, while the national indicators exhibited strength, the economic indicators for the Washington metropolitan region and for the County showed mixed results. The coincident indicator of economic activity for the Washington MSA decreased in September largely attributed to Hurricane Isabel. Declines in domestic passenger volume and retail sales of nondurable goods led the decrease, while employment and consumer confidence increased.

➤ **Construction.** Construction in the County continued to weaken in October, following a pattern than began in January. The number of non-residential building permits declined 16.7% and the value of new construction starts dropped 52.3%. Throughout the year, both permits (-1.3%) and construction starts (-56.0%) declined. The value of residential construction declined 3.4% in October, and has dropped 24.3% throughout 2003. Such declines suggest that any growth in the assessable

real property tax base for the County will come primarily from reassessments rather than from new construction.

➤ **Real Estate.** Sales of existing homes increased 9.2% in October and are up 6.2% for the year. Prices continued their remarkable pace with the average price at \$360,000, almost \$34,000 (+10.3%) above October 2002's average but down from the August 2002 peak of \$380,000. Since August 2001, average home prices increased over previous years' prices at double-digit rates 24 out of the 27 months. In two years, home prices increased almost \$70,000. The types of homes sold over the past seven years also have changed slightly with sales of condominiums increasing as a percentage of total sales (from 15% in 1997 to 22% in 2003).

The latest forecast from the National Association of Home Builders estimates the national sales of new and existing homes will peak this year at over 7 million units (+7.3% over 2002). However, with fixed-rate mortgages predicted to rise slightly (6.3% from 5.9%) in 2004, combined sales are expected to decline to 6.7 million units (-4.9%).

➤ **Retail Sales.** Retail sales in the County as measured by sales tax receipts increased 7.0% in September compared to September 2002. Sales of building and industrial supplies (+11.0%) and hardware and machinery (+14.8%) led the increase. Both double-digit increases may be partly attributed to the preparation and cleanup from Hurricane Isabel. With the employment situation and consumer confidence improving in the region and the County, retail sales should continue to improve during the remainder of FY04.

SELECTED ECONOMIC INDICATORS	Reporting Period	Current Period	Prior Year's Period	Year To-Date		
				2003	2002	2002
Leading Indicators						
National	Oct	0.4%		0.5%		-0.2%
Washington MSA	Sept	-1.3%		0.4%		-0.6%
Coincident Indicators						
National	Oct	0.2%		0.4%		0.7%
Washington MSA	Sept	-1.9%		-4.8%		-0.7%
Consumer Confidence Index						
National	Nov	12.2%		-20.1%		-14.7%
South Atlantic Region	Nov	3.3%		-16.9%		-9.6%
Consumer Sentiment (University of Michigan)	Nov	4.6%		-3.0%		-2.4%
Consumer Price Index						
All Items						
National	Oct	2.0%		2.4%		1.6%
Washington - Baltimore CMSA	Sept	2.8%		3.1%		2.4%
Core CPI						
National	Oct	1.3%		1.5%		2.4%
Washington - Baltimore CMSA	Sept	1.8%		2.5%		2.9%
Retail Trade						
National (sales - nsa)	Oct	6.7%		5.4%		3.1%
Washington MSA (sales - nsa)	Sept	8.8%		5.8%		3.0%
Maryland (sales tax)	Sept	6.6%		2.1%		1.6%
Montgomery County (sales tax)	Sept	7.0%		3.3%		0.9%
Employment						
National (household data - nsa)	Oct	138,619,000	137,551,000	137,557,000	136,454,000	136,485,000
- Percent Change		0.8%		0.8%		-0.3%
Washington PMSA (household data - nsa)	Sept	2,769,499	2,718,163	2,759,900	2,719,800	2,719,777
- Percent Change		1.9%		1.5%		3.7%
Montgomery County (resident)	Sept	496,897	792,179	494,480	488,720	489,673
- Percent Change		-37.3%		1.2%		2.5%
Montgomery County (payroll)	March	445,806	450,247	443,613	447,218	453,145
- Percent Change		-1.0%		-0.8%		0.7%
Unemployment						
National (nsa)	Oct	5.6%	5.3%	6.1%	5.8%	5.8%
Maryland (nsa)	Oct	4.0%	4.1%	4.4%	4.4%	4.4%
Washington PMSA	Sept	3.2%	3.6%	3.5%	3.8%	3.7%
Montgomery County	Sept	2.5%	2.7%	2.6%	2.8%	2.8%
Construction						
Construction Starts - Montgomery County						
Total (\$ thousand)	Oct	\$97,955	\$112,248	\$801,995	\$1,360,748	\$1,595,801
- Percent Change		-12.7%		-41.1%		9.5%
Residential (\$ thousand)	Oct	\$87,733	\$90,818	\$486,196	\$642,382	\$744,066
- Percent Change		-3.4%		-24.3%		-4.2%
Non-Residential (\$ thousand)	Oct	\$10,222	\$21,430	\$315,799	\$718,366	\$851,735
- Percent Change		-52.3%		-56.0%		25.0%
Building Permits (Residential)						
National	Oct	178,700	159,493	1,562,715	1,458,067	1,747,678
- Percent Change		12.0%		7.2%		6.8%
Maryland	Sept	2,263	2,548	22,591	21,862	29,293
- Percent Change		-11.2%		3.3%		0.8%
Montgomery County	Sept	312	543	3,308	3,215	5,013
- Percent Change		-42.5%		2.9%		-1.5%
Building Permits (Non-Residential)						
Montgomery County	Oct	135	162	1,570	1,590	1,858
- Percent Change		-16.7%		-1.3%		-11.6%
Real Estate						
National						
Sales	Oct	6,350,000	5,630,000	6,070,000	5,550,000	5,566,000
- Percent Change		12.8%		9.4%		5.1%
Median Price	Oct	\$172,400	\$159,300	\$169,200	\$156,800	\$158,100
- Percent Change		8.2%		7.9%		7.0%
Montgomery County						
Sales	Oct	1,390	1,296	13,724	12,908	16,030
- Percent Change		7.3%		6.3%		3.1%
Average Price	Oct	\$355,431	\$322,140	\$357,730	\$315,267	\$320,418
- Percent Change		10.3%		13.5%		16.5%
Median Price	Oct	\$290,000	\$257,000	\$288,980	\$248,195	\$255,275
- Percent Change		12.8%		16.4%		18.7%
Average Days on the Market	Oct	26	26	28	26	25